

United States  
Department of  
Agriculture

Office of the Chief  
Economist

Staff Report  
WAOB-2001-1

# USDA Agricultural Baseline Projections to 2010

## Interagency Agricultural Projections Committee

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### **Abstract**

This report provides long-run baseline projections for the agricultural sector through 2010. Projections cover agricultural commodities, agricultural trade, and aggregate indicators of the sector, such as farm income and food prices. The projections are based on specific assumptions regarding macroeconomic conditions, policy, weather, and international developments. The baseline assumes that there are no shocks due to abnormal weather or other factors affecting global supply and demand. The projections assume that current agricultural law of the 1996 Farm Act remains in effect throughout the baseline. The baseline projections presented are one representative scenario for the agricultural sector for the next decade. As such, the baseline provides a point of departure for discussion of alternative farm sector outcomes that could result under different assumptions. The projections in this report were prepared in September through November 2000, reflecting a composite of model results and judgmental analysis.

In the initial years of the baseline projections, the agricultural sector continues to recover from the market situation in the late 1990s when large global production and weak global demand reduced agricultural commodity prices, U.S. agricultural export value, and market cash receipts to U.S. farmers, with net farm income maintained only through large marketing loan benefits and additional emergency and disaster assistance. Economic recovery in many countries strengthens global demand and trade in the near term. Nonetheless, the buildup of global supplies keeps agricultural prices under pressure for the next several years, lowering farm income in the absence of further ad hoc assistance. Longer run developments in the agricultural sector reflect continuing macroeconomic improvement. While strong export competition continues, strengthening global economic growth, particularly in developing countries, provides a foundation for gains in trade and U.S. agricultural exports, resulting in rising market prices, increases in farm income, and improvement in the financial condition of the U.S. agricultural sector.

Keywords: Projections, baseline, crops, livestock, trade, farm income, food prices.

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## **A Note to Users of USDA Baseline Projections**

USDA long-term agricultural baseline projections presented in this report are a Departmental consensus on a long-run scenario for the agricultural sector. These projections provide a starting point for discussion of alternative outcomes for the sector.

The scenario presented in this report is not a USDA forecast about the future. Instead, it is a conditional, long-run scenario about what would be expected to happen under the 1996 Farm Act and specific assumptions about external conditions. The baseline includes short-term projections from the October 2000 *World Agricultural Supply and Demand Estimates* report. Trade projections in this report for 2001/02 incorporate long-term assumptions concerning weather, foreign trend yields, and foreign use and do not reflect short-term conditions that may impact trade that year.

Critical long-term assumptions include:

- U.S. and international macroeconomic conditions;
- U.S. and foreign agricultural and trade policies;
- Funding for U.S. agricultural export programs;
- Growth rates of agricultural productivity, both in the U.S. and abroad; and
- Normal (average) weather.

Changes in any of the assumptions can significantly affect the baseline projections, and actual conditions that emerge will alter the outcomes.

The baseline projections analysis was conducted by interagency committees in USDA and reflects a composite of model results and judgmental analysis. The Economic Research Service has the lead role in preparing the Departmental baseline report. The projections and the report were reviewed and cleared by the Interagency Agricultural Projections Committee, chaired by the World Agricultural Outlook Board. USDA participants in the baseline projections analysis and review include the World Agricultural Outlook Board, the Economic Research Service, the Farm Service Agency, the Foreign Agricultural Service, the Office of the Chief Economist, the Office of Budget and Program Analysis, the Risk Management Agency, the Agricultural Marketing Service, the Natural Resources Conservation Service, and the Cooperative State Research, Education, and Extension Service.

### **Baseline Projections on the Internet**

The new USDA baseline projections are available electronically on the Internet at:

<http://usda.mannlib.cornell.edu/data-sets/baseline/>

Also, the Economic Research Service has a briefing room for baseline projections at:

<http://www.ers.usda.gov/briefing/baseline/>

### **Baseline Contacts**

Questions regarding these projections may be directed to:

Paul Westcott, Economic Research Service, Room 5188, 1800 M Street, N.W., Washington, D.C. 20036-5831, phone: (202) 694-5335, e-mail: [westcott@ers.usda.gov](mailto:westcott@ers.usda.gov)

Randall Schnepf, Economic Research Service, Room 5026, 1800 M Street, N.W., Washington, D.C. 20036-5831, phone: (202) 694-5293, e-mail: [rschnepf@ers.usda.gov](mailto:rschnepf@ers.usda.gov)

David Stallings, World Agricultural Outlook Board, Room 5143, 1400 Independence Ave., S.W., Washington, D.C. 20250-3812, phone: (202) 720-5715, e-mail: [dstallings@oce.usda.gov](mailto:dstallings@oce.usda.gov)

### **Acknowledgments**

The report coordinators, on behalf of the Interagency Agricultural Projections Committee, thank the many analysts across different agencies of USDA for their contributions to the baseline projections analysis as well as to the preparation and review of this baseline report. Additionally, we thank Raymond L. Bridge for his editorial assistance.